

AMENDED IN ASSEMBLY JANUARY 15, 2014

AMENDED IN ASSEMBLY JANUARY 8, 2014

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CALIFORNIA LEGISLATURE—2013–14 REGULAR SESSION

## ASSEMBLY BILL

**No. 177**

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**Introduced by Assembly Member V. Manuel Pérez**

January 24, 2013

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An act to amend Section 38550 of the Health and Safety Code, and to add Section 399.23 to, and to repeal and add Section 454.55 of, the Public Utilities Code, add Section 25328 to the Public Resources Code, relating to ~~public utilities.~~ *energy.*

### LEGISLATIVE COUNSEL'S DIGEST

AB 177, as amended, V. Manuel Pérez. ~~Public utilities: greenhouse gas emissions reduction: renewable resources. Renewable energy resources: Salton Sea.~~

~~The Public Utilities Act requires the Public Utilities Commission, in consultation with the Independent System Operator, to establish resource adequacy requirements for all load-serving entities, including electrical corporations, in accordance with specified objectives. That law further requires each load-serving entity to maintain physical generating capacity adequate to meet its load requirements, including peak demand~~

~~and planning and operating reserves, deliverable to locations and at times as may be necessary to provide reliable electric service.~~

*The Warren-Alquist State Energy Resources Conservation and Development Act establishes the State Energy Resources Conservation and Development Commission. The act requires the State Energy Resources Conservation and Development Commission, beginning November 1, 2003, and by November 1 of every odd year thereafter, to adopt an integrated energy policy report which includes an overview of major energy trends and issues facing the state, an assessment and forecast of system reliability, and the need for resource additions, efficiency, and conservation. The act requires the State Energy Resources Conservation and Development Commission, beginning November 1, 2004, and by November 1 of each even year thereafter, to prepare an energy policy review to update the analyses from the integrated energy policy report or to raise energy issues that have emerged since the release of the integrated energy policy report.*

The California Renewables Portfolio Standard Program, also known as the RPS program, requires a retail seller of electricity, as defined, and local publicly owned electric utilities to purchase specified minimum quantities of electricity products from eligible renewable energy resources, as defined, for specified compliance periods, sufficient to ensure that the procurement of electricity products from eligible renewable energy resources achieves 25% of retail sales by December 31, 2016, and 33% of retail sales by December 31, 2020, and in all subsequent years. ~~The RPS program, consistent with the goals of procuring the least-cost and best-fit eligible renewable energy resources that meet project viability principles, requires that all retail sellers procure a balanced portfolio of electricity products from eligible renewable energy resources, as specified, referred to as the portfolio content requirements. The RPS program requires the Public Utilities Commission to direct each electrical corporation, which are included within the definition of a retail seller, to annually prepare a renewable energy procurement plan containing specified matter and an annual compliance report. The RPS program requires the Public Utilities Commission to adopt, by rulemaking, a process that provides criteria for the rank ordering and selection of least-cost and best-fit eligible renewable energy resources by electrical corporations to comply with the RPS program procurement obligations, on a total cost basis, that take specified matters into account.~~

~~This bill would state the policy of the state to require all retail sellers of electricity, including investor-owned electrical corporations and local publicly owned electric utilities, to procure all available cost-effective, reliable, and feasible energy efficiency, demand response, and renewable resources, so as to achieve grid reliability and greenhouse gases emission reductions simultaneously, in the most cost-effective and affordable manner practicable. The bill would require that procurement not be limited by any targets established for these resources by statute or regulatory decision. require the State Energy Resources Conservation and Development Commission, in cooperation and consultation with the Public Utilities Commission, the Natural Resources Agency, and the Salton Sea Authority, to convene a stakeholders group to advise the commission on the steps that should be taken to properly develop, integrate, and transmit the electricity generated by eligible renewable energy resources located in and around the Salton Sea. The bill would require the State Energy Resources Conservation and Development Commission to hold workshops and public hearings and to include its evaluations and recommendations in the next integrated energy policy report or energy policy review update.~~

~~The Public Utilities Act requires the Public Utilities Commission to review and adopt a procurement plan for each electrical corporation in accordance with specified elements, incentive mechanisms, and objectives. The act requires that an electrical corporation's proposed procurement plan include certain elements, including a showing that the electrical corporation will first meet its unmet needs through all available energy efficiency and demand reduction resources that are cost effective, reliable, and feasible. The act requires the Public Utilities Commission, in consultation with the State Energy Resources Conservation and Development Commission, to identify all potentially achievable cost-effective electricity efficiency savings and to establish efficiency targets for electrical corporations to achieve pursuant to their procurement plan.~~

~~Existing law requires that each local publicly owned electric utility, as defined, serving end-use customers prudently plan for and procure resources that are adequate to meet its planning reserve margin and peak demand and operating reserves, sufficient to provide reliable electric service to its customers. Existing law additionally requires the local publicly owned electric utility, upon request, to provide the State Energy Resources Conservation and Development Commission with any information the State Energy Resources Conservation and~~

~~Development Commission determines is necessary to evaluate the progress made by the local publicly owned electric utility in meeting those planning requirements, and requires the State Energy Resources Conservation and Development Commission to report the progress made by each local publicly owned electric utility to the Legislature, to be included in an integrated energy policy report, as specified. Existing law requires an electrical corporation or local publicly owned electric utility, as defined, to adopt certain strategies in a long-term plan or a procurement plan, as applicable, to achieve efficiency in the use of fossil fuels and to address carbon emissions, as specified.~~

~~This bill would require electrical corporations to procure all available cost-effective, reliable, and feasible energy efficiency, demand response, and renewable energy resources, and to consider procuring available cost-effective energy storage technologies. The bill would require the Public Utilities Commission to continue to establish efficiency targets for an electrical corporation pursuant to the utility's procurement plan.~~

~~Under existing law, a violation of the Public Utilities Act or any order, decision, rule, direction, demand, or requirement of the Public Utilities Commission is a crime.~~

~~Because the provisions of this bill are within the act, a violation of above requirement would impose a state-mandated local program by expanding the definition of a crime.~~

~~The California Global Warming Solutions Act of 2006 requires the State Air Resources Board to adopt a statewide greenhouse gas emissions limit to be achieved by 2020.~~

~~This bill would require the state board, by January 1, 2016, to adopt a statewide greenhouse gas emissions limit for electrical corporations and local publicly owned electric utilities to be achieved by 2030.~~

~~The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.~~

~~This bill would provide that no reimbursement is required by this act for a specified reason.~~

~~Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: yes/no.~~

*The people of the State of California do enact as follows:*

1     SECTION 1. The Legislature finds and declares all of the  
2     following:

1     (a) *There are substantial high-quality eligible renewable energy*  
2 *resources located in and around the Salton Sea that can generate*  
3 *electricity in a manner that will simultaneously do all of the*  
4 *following:*

5       (1) *Assist in maintaining grid reliability.*

6       (2) *Provide lower costs for integrating eligible renewable energy*  
7 *resources into the electrical grid.*

8       (3) *Help meet California's renewables portfolio standard*  
9 *procurement requirements and requirements for reducing emissions*  
10 *of greenhouse gases.*

11       (4) *Provide significant local and regional environmental and*  
12 *economic development benefits.*

13     (b) *There are similar high-quality eligible renewable energy*  
14 *resources located in northern California that can generate*  
15 *electricity in a manner that will simultaneously achieve the same*  
16 *benefits as would be achieved by developing those resources near*  
17 *the Salton Sea.*

18     (c) *The County of Imperial and the Imperial Irrigation District*  
19 *have signed a memorandum of understanding that pledges their*  
20 *mutual efforts to advance the development of eligible renewable*  
21 *energy resources and precious minerals extraction in the Imperial*  
22 *Irrigation District balancing authority area and thereby provide*  
23 *a funding source that will assist the state in meeting its mitigation*  
24 *and restoration obligations pursuant to the Quantification*  
25 *Settlement Agreement, as defined in subdivision (a) of Section 1*  
26 *of Chapter 617 of the Statutes of 2002, and related and*  
27 *implementing agreements.*

28     (d) *The Natural Resources Agency, in cooperation and*  
29 *consultation with the Salton Sea Authority, is conducting a*  
30 *feasibility study that will serve as the blueprint to guide future*  
31 *efforts to restore the Salton Sea, develop the eligible renewable*  
32 *energy resources located there, and provide direction to local,*  
33 *regional, and state agencies responsible for the protection of the*  
34 *health of those who could otherwise be subjected to the detrimental*  
35 *air quality effects from an exposed lake bed.*

36     SEC. 2. *Section 25328 is added to the Public Resources Code,*  
37 *to read:*

38       25328. (a) *The commission, in cooperation and consultation*  
39 *with the Public Utilities Commission, the Natural Resources*  
40 *Agency, and the Salton Sea Authority, shall convene a stakeholders*

1 group to advise the commission on the steps that should be taken  
2 to properly develop, integrate, and transmit the electricity  
3 generated by eligible renewable energy resources, as defined in  
4 Section 399.12 of the Public Utilities Code, located in and around  
5 the Salton Sea. The commission shall hold workshops and public  
6 hearings to consider the recommendations of the stakeholders  
7 group. At a minimum, the commission and stakeholders shall do  
8 all of the following:

9 (1) Consider methods to expedite transmission line development  
10 from the Imperial Irrigation District balancing authority area to  
11 utilities and regional independent system operators.

12 (2) Analyze whether state loan guarantees, loans, or state funds  
13 could be made available to assist developers of geothermal and  
14 other eligible renewable energy resources to access capital and  
15 long-term financing.

16 (3) Identify permitting issues and agencies responsible for  
17 issuing those permits.

18 (4) Analyze the feasibility of granting blanket permits to multiple  
19 geothermal project developments located near or under the existing  
20 Salton Sea.

21 (5) Analyze the effectiveness of the value for assessing  
22 procurement contracts for eligible renewable energy resources  
23 that includes integration of those resources into the operation of  
24 the electrical grid, analyze whether the value has resulted in  
25 development of new eligible renewable energy resources located  
26 in and around the Salton Sea, and make recommendations on  
27 whether other measures are appropriate to ensure that eligible  
28 renewable energy resources are appropriately developed in and  
29 around the Salton Sea.

30 (6) Analyze the costs and the value provided by eligible  
31 renewable energy resource projects located in and around the  
32 Salton Sea that provide baseload generation.

33 (7) Assist in the framing of a pilot project to evaluate algae and  
34 solar energy facilities located on or near Salton Sea playa areas.

35 (8) Analyze the benefits and costs of rare earth extraction in  
36 consultation with the relevant state and federal agencies.

37 (b) The commission shall include its evaluations and  
38 recommendations in the next integrated energy policy report  
39 adopted pursuant to subdivisions (a), (b), and (c) of, or energy

1 *policy review update adopted pursuant to subdivision (d) of,*  
2 *Section 25302.*

3 ~~SECTION 1. Section 38550 of the Health and Safety Code is~~  
4 ~~amended to read:~~

5 ~~38550. (a) By January 1, 2008, the state board shall, after one~~  
6 ~~or more public workshops, with public notice, and an opportunity~~  
7 ~~for all interested parties to comment, determine what the statewide~~  
8 ~~greenhouse gas emissions level was in 1990, and approve in a~~  
9 ~~public hearing, a statewide greenhouse gas emissions limit that is~~  
10 ~~equivalent to that level, to be achieved by 2020. In order to ensure~~  
11 ~~the most accurate determination feasible, the state board shall~~  
12 ~~evaluate the best available scientific, technological, and economic~~  
13 ~~information on greenhouse gas emissions to determine the 1990~~  
14 ~~level of greenhouse gas emissions.~~

15 ~~(b) By January 1, 2016, the state board, after conducting one or~~  
16 ~~more public workshops with public notice and an opportunity for~~  
17 ~~all interested parties to comment, and performing an analysis of~~  
18 ~~the progress being made to achieve the 2020 statewide greenhouse~~  
19 ~~gas emissions limit, shall adopt in a public hearing a statewide~~  
20 ~~greenhouse gas emissions limit for electrical corporations, as~~  
21 ~~defined in Section 218 of the Public Utilities Code, and local~~  
22 ~~publicly owned electric utilities, as defined in Section 224.3 of the~~  
23 ~~Public Utilities Code, to be achieved by 2030.~~

24 ~~SEC. 2. Section 399.23 is added to the Public Utilities Code,~~  
25 ~~to read:~~

26 ~~399.23. (a) The Legislature finds and declares all of the~~  
27 ~~following:~~

28 ~~(1) There is increasing uncertainty with regard to the availability~~  
29 ~~of California's fleet of older powerplants, as well as the state's~~  
30 ~~ability to reduce greenhouse gas emissions beyond the target~~  
31 ~~established for 2020, creating the need for both increased electrical~~  
32 ~~generation from renewable energy resources and reduced demand~~  
33 ~~through energy efficiency and demand response.~~

34 ~~(2) It is in the best interest of the electricity consumers of this~~  
35 ~~state that sufficient renewable energy generation supply and~~  
36 ~~demand-side resources are procured to meet electricity demand,~~  
37 ~~and that this supply and these resources provide the highest value,~~  
38 ~~including providing safe, reliable, and affordable electricity~~  
39 ~~supplies and minimizing air quality impacts to consumers in the~~  
40 ~~most cost-effective manner practicable.~~

1     ~~(3) Renewable energy generation from renewable energy~~  
2     ~~resources that qualify as local capacity resources are essential to~~  
3     ~~maintaining reliable electricity deliveries.~~

4     ~~(4) There are substantial high-quality renewable energy~~  
5     ~~resources in the County of Imperial near the Salton Sea with the~~  
6     ~~ability to reduce greenhouse gas emissions that can generate~~  
7     ~~electricity in a manner that will simultaneously meet local capacity~~  
8     ~~requirements, maintain grid reliability, and provide significant~~  
9     ~~local and regional environmental and economic development~~  
10    ~~benefits.~~

11    ~~(5) The commitment to a loading order of preferred resources~~  
12    ~~in the manner prescribed in Section 454.55 is necessary to the~~  
13    ~~continued health and safety of California electric consumers.~~

14    ~~(b) Consistent with the loading order adopted by the Energy~~  
15    ~~Commission and the commission that sets forth state policy for~~  
16    ~~preferred resources to meet electrical load needs, it is the intent of~~  
17    ~~the Legislature, and the policy of the state, that all retail sellers of~~  
18    ~~electricity, including investor-owned electrical corporations and~~  
19    ~~local publicly owned electric utilities, shall procure all available~~  
20    ~~cost-effective, reliable, and feasible energy efficiency, demand~~  
21    ~~response, and renewable energy resources, so as to achieve grid~~  
22    ~~reliability and greenhouse gases emission reductions~~  
23    ~~simultaneously, in the most cost-effective and affordable manner~~  
24    ~~practicable. Procurement shall not be limited by any targets~~  
25    ~~established for these resources by statute or regulatory decision.~~

26    ~~SEC. 3. Section 454.55 of the Public Utilities Code is repealed.~~

27    ~~SEC. 4. Section 454.55 is added to the Public Utilities Code,~~  
28    ~~to read:~~

29    ~~454.55. Pursuant to a loading order of preferred resources to~~  
30    ~~meet electricity demand in a manner that improves the state's air~~  
31    ~~quality, reduces greenhouse gas emissions, and preserves electric~~  
32    ~~grid reliability, electrical corporations shall procure all available~~  
33    ~~cost-effective, reliable, and feasible energy efficiency, demand~~  
34    ~~response, and renewable energy resources, and shall consider~~  
35    ~~procuring available cost-effective energy storage technologies.~~  
36    ~~Procurement of conventional or gas-fired generation shall only be~~  
37    ~~undertaken to meet residual need forecasted for the long-term~~  
38    ~~planning period that is not otherwise met by preferred resources.~~  
39    ~~In measuring the cost-effectiveness of the procurement of preferred~~  
40    ~~resources, the commission shall determine and include the value~~



1 of grid reliability, including the value of grid reliability of diversity  
2 in renewable electric generation by resource type, size, and  
3 location, both alone and in combination with nontransmission  
4 alternatives, and local environmental benefits provided by each  
5 renewable energy resource type technology in disadvantaged  
6 communities that have been identified by the California  
7 Environmental Protection Agency pursuant to Section 39711 of  
8 the Health and Safety Code. This procurement shall not be limited  
9 by any targets established for these resources by statute or  
10 regulatory decision. However, the commission shall continue to  
11 establish efficiency targets for an electrical corporation to achieve  
12 pursuant to Section 454.5.

13 SEC. 5. No reimbursement is required by this act pursuant to  
14 Section 6 of Article XIII B of the California Constitution because  
15 the only costs that may be incurred by a local agency or school  
16 district will be incurred because this act creates a new crime or  
17 infraction, eliminates a crime or infraction, or changes the penalty  
18 for a crime or infraction, within the meaning of Section 17556 of  
19 the Government Code, or changes the definition of a crime within  
20 the meaning of Section 6 of Article XIII B of the California  
21 Constitution.